

Health Premium Hourly Cost Calculation

The Living Wage Ordinance requires payment of an hourly health benefits rate to covered employees [San Diego Municipal Code §22.4220(a)]. At the employer's discretion, this amount may be paid in full cash wages or applied toward the cost of health benefits. If the hourly cost of health benefits is less than the required rate, the difference must be added to the hourly wage as cash payment to meet the required full cash wage total.

The following chart shows a method to calculate the hourly cost of health benefits for each employee and is accurate whether an employee works full-time or part-time.

<u>Procedure</u>	<u>Calculation Method</u>
1) Determine annual health premium cost .	Multiply individual employee's monthly health premium cost by 12.
2) Determine hourly health premium cost .	Divide annual health premium cost by 2,080 (40 hours x 52 weeks = 2,080 hours).
3) Determine difference , if any.	Subtract hourly health premium cost from required LWO hourly health benefits rate.
4) Increase LWO cash wage , if necessary.	If less than required LWO health benefits rate, difference must be added to hourly wage; if more than required health benefits rate, employer may <u>not</u> deduct from hourly wage.
<u>Example</u>	
1) Determine annual health premium cost .	Monthly health premium cost = \$320 $\$320 \times 12 = \$3,840$ Annual health premium cost = \$3,840
2) Determine hourly health premium cost .	Annual health premium cost = \$3,840 $\$3,840 \div 2,080 = \$1.85 / \text{hour}$ Health premium cost = \$1.85 /hour
3) Determine difference , if any. <i>Note: Use hourly LWO health benefits rate for the applicable fiscal year.</i>	LWO health benefits rate = \$2.23 /hour Health premium cost = \$1.85 /hour $\$2.23 - \$1.85 = \$0.38$ Difference = \$0.38 /hour
4) Increase LWO cash wage , if necessary. <i>Note: Use hourly LWO wage rate for the applicable fiscal year.</i>	LWO wage rate = \$11.14 /hour Difference = \$0.38 /hour $\$11.14 + \$0.38 = \$11.52$ Adjusted LWO wage rate = \$11.52 /hour $\$11.52 + \$1.85 = \$13.37$ LWO full cash wage = \$13.37 /hour